



by Frank Pellegrini

As I write this column there is a bill pending in the state legislature intended to assist low-income renters that would, in my view, unjustly tax homeowners while increasing the administrative burden on small business owners who provide services to the homeowning public. This legislation, if enacted, will further complicate the homebuying process and will cause great hardship in county recorders' offices throughout the state. In short, this bill, as written, could cause more harm than good as it seeks to address the laudable goal of assisting low-income renters.

In essence, Rental Housing Support Program Act SB 75 seeks to provide low-income renters with assistance as they struggle to provide their families with decent, affordable rental housing. The Illinois Land Title Association, of which I am president, wholeheartedly supports providing such assistance. The method of funding the program that SB 75 proposes, however, would have the net effect of taxing homebuyers to address an issue that is better addressed equitably throughout society.

The kind of public support that SB 75 proposes would ordinarily come from the General Revenue Fund to which all citizens of Illinois who have taxable income contribute. The Rental Housing Support Program Act would fund the program through a tax of \$10 on every document recorded relating to real estate. This is a case in which a worthy end does not justify poorly chosen means. Here are three of the many reasons that this funding mechanism is a bad idea:

- Because the fee is flat, it is inherently inequitable. A mansion owner in the Chicago area pays the same amount as the owner of a modest dwelling in Southern Illinois.
- Owners of low-cost housing are more often burdened with liens on their land; They must pay this tax not only for recording the release of the lien, but may also be required to reimburse the lien holder who paid the tax when recording the lien, in effect a double assessment against the very class of citizen the bill aspires to assist
- The extra administrative burden at the county level will aggravate the already terrible statewide problem with the failure to release recorded paid mortgages.
- As president of the Illinois Land Title Association, I urge state lawmakers to go back to the drawing board with SB 75 and bring the bill back up for consideration with an equitable funding mechanism.

Senate bill would harm real estate

Title insurance is the glue

News Item: *The Mortgage Bankers Association released in early March its Weekly Mortgage Applications Survey for the week ending March 4. The MBA seasonally adjusted Purchase Index increased by 2.7 percent to 451.7 from 440.0 the previous week. The seasonally adjusted Refinance Index decreased by 4.6 percent to 2176.8 from 2281.1 one week earlier.*

As the industry begins to adjust from the long reign of refinancings to a market dominated by purchases, it is worthwhile to remember that title insurance is the glue that holds the residential real estate industry together. Without the assurances provided to lenders by the title search process and the subsequent issuance of title insurance, there would be no secondary market. Without the secondary market, funding sources would dry up and competition for mortgage funds would heat up, driving up interest rates. Higher rates would mean fewer purchases and fewer refinancings.

Every aspect of the residential real estate industry is important, I believe, and the work title companies do is as critical to the process as the role played by the lender, Realtor®, broker, builder and homeowner. The next time a customer asks you why they pay for title insurance, I suggest that you explain that the costs of title searching and insurance really are investments that help save them money. Without title insurance, borrowing costs would surely rise precipitously.

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